

CITY OF AKUTAN, ALASKA

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information and Compliance Report

Year Ended June 30, 2015

CITY OF AKUTAN, ALASKA

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information and Compliance Report

Year Ended June 30, 2015

CITY OF AKUTAN, ALASKA

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Independent Auditor's Report

Members of the City Council
City of Akutan, Alaska
Akutan, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Akutan, Alaska as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Akutan, Alaska's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Members of the City Council
City of Akutan, Alaska

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Akutan, Alaska as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of the City's Proportionate Share of the Net Pension Liability – Public Employees' Retirement System, and Schedule of the City's Contributions – Public Employees' Retirement System on pages 40-41, 42, and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Akutan, Alaska's basic financial statements. The information listed in the table of contents as "Additional Supplementary Information", which includes Major Governmental Funds: Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund, Fuel/Gas Special Revenue Fund, and Other Capital Projects Capital Project Fund; Other Governmental Funds: Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance; Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –Special Revenue Fund and Capital Project Funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Additional Supplementary Information listed above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Additional Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2016, on our consideration of the City of Akutan, Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Akutan, Alaska's internal control over financial reporting and compliance.

Altman, Rogers & Co.

Anchorage, Alaska
October 11, 2016

CITY OF AKUTAN, ALASKA

Statement of Net Position
June 30, 2015

<u>Assets and Deferred Outflows of Resources</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 4,762,190	19,032	4,781,222
Receivables, net of allowance for doubtful accounts:			
Akutan Traditional Council	72,564	-	72,564
Fish taxes	248,592	-	248,592
Accounts	12,333	6,012	18,345
Grants	201,315	-	201,315
Other	17,530	-	17,530
Prepaid items	32,092	-	32,092
Fuel inventory	217,130	10,678	227,808
Investment in Southwest Governments, LLC	546,067	-	546,067
Capital assets not being depreciated - land and construction in progress	2,029,947	-	2,029,947
Other capital assets, net of accumulated depreciation	8,104,927	4,013,973	12,118,900
Total assets	<u>16,244,687</u>	<u>4,049,695</u>	<u>20,294,382</u>
Deferred outflows of resources -			
Pension deferrals	<u>184,114</u>	<u>-</u>	<u>184,114</u>
Total assets and deferred outflows of resources	<u>\$ 16,428,801</u>	<u>4,049,695</u>	<u>20,478,496</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>			
Liabilities:			
Accounts payable	67,596	10,084	77,680
Accrued payroll and benefits	180,344	812	181,156
Prepaid rent	6,000	-	6,000
Noncurrent liabilities:			
Due within one year - accrued leave	57,915	6,825	64,740
Due in more than one year - net pension liability	882,277	-	882,277
Total liabilities	<u>1,194,132</u>	<u>17,721</u>	<u>1,211,853</u>
Deferred inflows of resources -			
Pension deferrals	<u>81,546</u>	<u>-</u>	<u>81,546</u>
Net position:			
Net investment in capital assets	10,134,874	4,013,973	14,148,847
Unrestricted	5,018,249	18,001	5,036,250
Total net position	<u>15,153,123</u>	<u>4,031,974</u>	<u>19,185,097</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 16,428,801</u>	<u>4,049,695</u>	<u>20,478,496</u>

See accompanying notes to basic financial statements.

CITY OF AKUTAN, ALASKA

Statement of Activities
Year Ended June 30, 2015

Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	
Governmental:							
General government	\$ 1,426,378	15,911	42,349	-	(1,368,118)	-	(1,368,118)
Public safety	99,025	-	4,363	-	(94,662)	-	(94,662)
Community services	702,949	308,665	8,260	67,730	(318,294)	-	(318,294)
Public works	438,149	-	3,796	273,323	(161,030)	-	(161,030)
Cable	19,145	28,562	192	-	9,609	-	9,609
Water and solid waste	157,265	-	5,123	-	(152,142)	-	(152,142)
Apartment building	6,219	43,146	-	-	36,927	-	36,927
Port	148,763	18,685	852	-	(129,226)	-	(129,226)
Airport	461,316	-	10,361	-	(450,955)	-	(450,955)
Total governmental activities	3,459,209	414,969	75,296	341,053	(2,627,891)	-	(2,627,891)
Business-type activities- electric	657,800	112,235	-	-	-	(545,565)	(545,565)
Total	\$ 4,117,009	527,204	75,296	341,053	(2,627,891)	(545,565)	(3,173,456)
General revenues:							
Fish taxes				\$ 1,774,963	-		1,774,963
Grants and entitlements not restricted to a specific purpose				1,372,188	-		1,372,188
Investment income				70,796	-		70,796
Other				52,389	-		52,389
Total general revenues				3,270,336	-		3,270,336
Net transfers				(317,411)	317,411		-
Capital assets transferred to Business-type activities				(1,501,053)	1,501,053		-
Total general revenues and transfers				(1,818,464)	1,818,464		-
Change in net position				(1,176,019)	1,272,899		96,880
Net position, beginning of year, as originally stated				16,994,858	2,759,075		19,753,933
Prior period adjustment				5,884	-		5,884
Cumulative effect of change in accounting principle				(671,600)	-		(671,600)
Net position, beginning of year, as restated				16,329,142	2,759,075		19,088,217
Net position, end of year	\$			15,153,123	4,031,974		19,185,097

See accompanying notes to basic financial statements.

CITY OF AKUTAN, ALASKA

Governmental Funds
Balance Sheet
June 30, 2015

	Major Funds				Other Capital		Total
		Special Revenue		Projects	Other		Govern-
Assets	General	Permanent	Fuel/Gas	Capital	Governmental		mental
				Project Funds	Funds		Funds
Cash and investments	\$ 2,493,653	1,350,043	-	103,496	814,998		4,762,190
Receivables:							
Fish taxes	248,592	-	-	-	-		248,592
Accounts	9,021	-	50,672	-	-		59,693
Grants	-	-	-	-	201,315		201,315
Other	17,530	-	-	-	-		17,530
Allowance for doubtful accounts	(27,360)	-	(20,000)	-	-		(47,360)
Prepaid items	32,092	-	-	-	-		32,092
Fuel inventory	108,420	-	108,710	-	-		217,130
Due from other funds	153,922	-	-	-	-		153,922
Long-term receivable -							
Akutan Traditional Council	72,564	-	-	-	-		72,564
Investment in Southwest							
Governments, LLC	546,067	-	-	-	-		546,067
Total assets	\$ 3,654,501	1,350,043	139,382	103,496	1,016,313		6,263,735
Liabilities, Deferred inflows of							
Resources and Fund Balances (Deficit)							
Liabilities:							
Accounts payable	43,845	339	-	18,376	5,036		67,596
Accrued payroll and benefits	177,188	-	2,535	621	-		180,344
Prepaid rent	6,000	-	-	-	-		6,000
Due to other funds	-	-	153,922	-	-		153,922
Total liabilities	227,033	339	156,457	18,997	5,036		407,862
Deferred inflows of resources-							
Southwest Governments, LLC	73,524	-	-	-	-		73,524
Unavailable revenue	-	-	20,058	-	-		20,058
Total deferred inflows of resources	73,524	-	20,058	-	-		93,582
Total liabilities and deferred inflows							
of resources	300,557	339	176,515	18,997	5,036		501,444
Fund balances (Deficit):							
Nonspendable	685,619	-	108,710	-	-		794,329
Committed	-	1,349,704	-	84,499	1,011,277		2,445,480
Unassigned (deficit)	2,668,325	-	(145,843)	-	-		2,522,482
Total fund balances (deficit)	3,353,944	1,349,704	(37,133)	84,499	1,011,277		5,762,291
Total liabilities, deferred							
inflows of resources and							
fund balances	\$ 3,654,501	1,350,043	139,382	103,496	1,016,313		6,263,735

See accompanying notes to basic financial statements.

CITY OF AKUTAN, ALASKA
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net position
June 30, 2015

Total fund balances for governmental funds \$ 5,762,291

Total net position reported for governmental activities in the
Statement of Net Position is different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. These
assets, net of accumulated depreciation consist of:

Land and land improvements	\$ 793,886	
Construction in progress	1,236,061	
Buildings and improvements	4,712,519	
Equipment	1,034,500	
Water and sewer lines	625,000	
Infrastructure	6,471,378	
Accumulated depreciation	<u>(4,738,470)</u>	
Total capital assets		10,134,874

Long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds.

Unrealized gain on a long-term asset	73,524	
Unavailable revenue	<u>20,058</u>	
		93,582

Long-term liabilities, including note payable, accrued leave,
and accrued interest are not due and payable in the
current period and therefore are not reported as fund liabilities.

Accrued leave	(57,915)	
City's share proportionate of the collective net pension liability- PERS	<u>(882,277)</u>	
		(940,192)

Deferred outflows and inflows of resources related to
pensions are the result of timing differences in the
actuarial report:

Deferred outflows of resources - pension deferrals	184,114	
Deferred inflows of resources - pension deferrals	<u>(81,546)</u>	
		<u>102,568</u>

Total net position of governmental activities \$ 15,153,123

See accompanying notes to basic financial statements.

CITY OF AKUTAN, ALASKA

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2015

	Major Funds			Other Capital	Other	Total
	General	Special Revenue	Fuel/Gas	Projects	Governmental	Governmental
		Permanent		Capital	Funds	Funds
				Project Fund		
Revenues:						
Intergovernmental:						
Federal sources	\$ -	-	-	-	119,551	119,551
State of Alaska	1,548,307	-	-	-	221,502	1,769,809
Local:						
Fish taxes	1,774,963	-	-	-	-	1,774,963
Charges for services	-	-	268,693	-	-	268,693
Investment income	40,827	29,769	-	-	-	70,596
Other revenues	247,586	-	-	51	149	247,786
Total revenues	3,611,683	29,769	268,693	51	341,202	4,251,398
Expenditures:						
Current:						
General government	1,467,919	5,137	-	-	-	1,473,056
Public safety	102,484	-	-	-	-	102,484
Community services	219,929	-	394,725	-	-	614,654
Public works	152,794	-	-	-	194,546	347,340
Cable	19,436	-	-	-	-	19,436
Water and solid waste	133,029	-	-	-	-	133,029
Apartment building	6,219	-	-	-	-	6,219
Port	36,043	-	-	-	-	36,043
Airport	350,426	-	-	-	-	350,426
Capital outlay	-	-	-	1,194,583	159,643	1,354,226
Total expenditures	2,488,279	5,137	394,725	1,194,583	354,189	4,436,913
Excess (deficiency) of revenues over (under) expenditures	1,123,404	24,632	(126,032)	(1,194,532)	(12,987)	(185,515)
Other financing sources (uses):						
Proceeds from sale of capital assets	-	-	-	825,525	-	825,525
Insurance proceeds	-	-	-	50,000	-	50,000
Transfers in	74,258	-	-	75,975	177,941	328,174
Transfers out	(397,681)	-	-	(173,646)	(74,258)	(645,585)
Net other financing sources (uses)	(323,423)	-	-	777,854	103,683	558,114
Net change in fund balances	799,981	24,632	(126,032)	(416,678)	90,696	372,599
Beginning fund balances, as originally stated	2,617,649	1,325,072	19,329	501,177	920,581	5,383,808
Prior period adjustment	(63,686)	-	69,570	-	-	5,884
Beginning fund balances, as restated	2,553,963	1,325,072	88,899	501,177	920,581	5,389,692
Ending fund balances	\$ 3,353,944	1,349,704	(37,133)	84,499	1,011,277	5,762,291

See accompanying notes to basic financial statements.

CITY OF AKUTAN, ALASKA

Reconciliation of the Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 372,599

The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives.

Capital asset additions	\$	1,365,002	
Capital asset transferred to Electric Enterprise Fund		(1,501,053)	
Depreciation expense		<u>(372,127)</u>	
			(508,178)

Governmental funds only report the revenue from sale of assets to the extent proceeds are received from sale. In the Statement of Activities, a gain or loss is reported for each sale.

The net effect of transactions involving capital assets is to decrease net position.

Cost of assets sold	(1,068,901)		
Accumulated depreciation of assets sold		<u>116,701</u>	
			(952,200)

Some revenues may not be collected for several months after the City's year-end. This is the increase in deferred inflows of resources:

City's investment in Southwest Governments, LLC.	3,021		
Fuel and Gas Special Revenue accounts receivables		<u>20,058</u>	
			23,079

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences, net change	(3,209)		
Increase in the City's share of the unfunded pension liability		(159,608)	
Amortization of deferred outflows and inflows of resources		<u>(10,214)</u>	
			(173,031)

Changes in deferred inflows and outflows of resources are the results of timing differences in the actuarial report:

Contributions to the PERS pension plan in the current fiscal year are included in the fund financial statements and are presented as changes in deferred outflows of resources in the government-wide statements.

61,712

Change in net position of governmental activities \$ (1,176,019)

See accompanying notes to basic financial statements.

CITY OF AKUTAN, ALASKA

Electric Enterprise Fund

Statement of Net Position

June 30, 2015

Assets

Current assets:

Cash and cash equivalents	\$	19,032
Accounts receivable		6,012
Fuel inventory		10,678
Total current assets		<u>35,722</u>

Noncurrent assets:

Capital assets:

Buildings and improvements	319,116
Service lines	1,667,656
Hydro plant	2,240,736
Equipment	1,232,211
Total capital assets	<u>5,459,719</u>

Less accumulated depreciation	<u>(1,445,746)</u>
Capital assets, net of accumulated depreciation	<u>4,013,973</u>

Total assets	\$	<u><u>4,049,695</u></u>
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Liabilities and Net Position

Current liabilities:

Accounts payable	10,084
Accrued payroll and benefits	812
Total current liabilities	<u>10,896</u>

Non-current liabilities:

Accrued leave	<u>6,825</u>
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Net position:

Net investment in capital assets	4,013,973
Unrestricted	18,001
Total net position	<u>4,031,974</u>

Total liabilities and net position	\$	<u><u>4,049,695</u></u>
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See accompanying notes to basic financial statements.

CITY OF AKUTAN, ALASKA
Electric Enterprise Fund
Statement of Revenues, Expenses and
Changes in Net Position
Year Ended June 30, 2015

Operating revenues:	
Charges for services	\$ 96,413
City electric usage	15,822
Total operating revenues	<u>112,235</u>
Operating expenses:	
Salaries and benefits	213,194
Outside services	13,695
Parts and supplies	4,675
Travel and per diem	9,814
Insurance	9,787
Telephone	307
Fuel	158,077
Equipment	2,049
Repair and maintenance	17,908
Depreciation	228,294
Total operating expenses	<u>657,800</u>
Income (loss) from operations	<u>(545,565)</u>
Capital contributions:	
Capital assets transferred from governmental activities	<u>1,501,053</u>
Other financing sources:	
Transfers in - general fund	<u>317,411</u>
Change in net position	1,272,899
Net position, beginning of year	<u>2,759,075</u>
Net position, end of year	<u>\$ 4,031,974</u>

See accompanying notes to basic financial statements.

CITY OF AKUTAN, ALASKA

Electric Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2015

Cash flows provided (used) by operating activities:

Receipts from customers and users	\$ 114,539
Payments to suppliers	(213,194)
Payments to employees	(224,724)
Net cash flows provided (used) by operating activities	<u>(323,379)</u>

Cash flows provided (used) noncapital financing activities:

Transfers in- general fund	<u>317,411</u>
Net increase (decrease) in cash and cash equivalents	(5,968)

Beginning cash and cash equivalents	<u>25,000</u>
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Ending cash and cash equivalents	<u><u>\$ 19,032</u></u>
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Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	(545,565)
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation	228,294
(Increase) decrease in assets:	
Accounts receivable	2,304
Fuel inventory	3,942
Increase (decrease) in liabilities:	
Accounts payable	(17,864)
Accrued payroll benefits	812
Accrued leave	<u>4,698</u>
Net cash flows provided (used) by operating activities	<u><u>\$ (323,379)</u></u>

Noncash capital financial activities:

Capital assets transferred from Governmental Activities	<u><u>\$ 1,501,053</u></u>
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See accompanying notes to basic financial statements.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Reporting Entity

The City of Akutan (City) was incorporated in 1979 as a second class city under the laws of the State of Alaska. The City operates under a Council-Mayor form of government and performs municipal duties allowed by Alaska statutes and as directed by its residents.

The financial statements included in this report are for the City of Akutan only. There are no other component units for which the City of Akutan is financially accountable, nor do any special financial relationships exist between the City and any other entity.

The accounting policies of the City conform to generally accepted accounting principles accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, grants and entitlements not restricted to a specific purpose, investment income, and other items not properly included among program revenues are reported instead as *general revenues*.

Deferred inflows of resources are the acquisition of fund balance/net position by the City that are applicable to a future reporting period. Deferred outflows of resources are the consumption of fund balance/net position by the City that are applicable to a future reporting period.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other funds are presented in a single column as "other government funds".

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues except grant reimbursements to be available if they are collected within 60 days after year end. Grant reimbursements are considered available if they are collected within one year after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

Fish taxes, charges for services, rentals, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the government.

Entitlements and shared revenues are recorded at the time of a receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants, including capital grants, recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and when revenues are considered to be available and measurable, which is considered to be within 12 months of the end of the current fiscal period.

The City reports the following major funds:

Major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Permanent Special Revenue Fund* manages funds for operations in the event there is a fisheries decline or other community disaster.

The *Fuel/Gas Special Revenue Fund* accounts for activities related to providing residents and the city with heating and vehicle fuel.

The *Other Capital Projects Capital Project Fund* accounts for activities related to the capital project undertaken by the City not accounted for in a separate fund.

Major proprietary fund –

The *Electric Enterprise Fund* is used to account for the operations of the electric utility.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Additionally, the City reports the following fund types:

- Special Revenue Funds – accounts for revenue sources that are legally restricted or committed to expenditures for specific purposes.
- Capital Project Funds – accounts for the acquisition of the capital assets or construction of major capital projects not being financed by proprietary funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise fund and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes, investment income, and State entitlement revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Revenue recognition of capital contributions are based on the requirements of the Governmental Accounting Standards Boards Certification N50 Non-exchange transactions.

Estimates

In preparing the financial statements, management of the City is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and revenues and expenditures/expenses for the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The City follows Governmental Accounting Standards Boards Certification P80. This statement established standards for reporting cash flows of Proprietary Funds. For purposes of the statement of cash flows, the enterprise fund considers all equity in central treasury to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Inventory

Inventories are valued at cost (first-in, first-out). Inventory consists of fuel held for resale and/or consumption by City departments. The cost is recorded as an expenditure or expense at the time individual inventory items are consumed.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All account receivables are reported net of an allowance for doubtful receivables. The allowance for doubtful receivables is an estimate of the amount uncollectible based on past experience.

Accrued Leave

The City allows employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

Capital Assets

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g. roads and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Infrastructure (dock, floats, etc.)	50 years
System infrastructure	20-50 years
Machinery and equipment	5-20 years

Unavailable Revenue

Resource inflows that do not qualify for recognition as revenue in a governmental fund because they are not yet considered to be available.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form — long-term receivables, prepaid items or inventories; or (b) legally or contractually required to be maintained intact. Such constraint is binding until legal or contractual requirement is repealed or the amount becomes spendable.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Such constraint is binding unless modified or rescinded by external body, laws, or regulation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Assigned fund balance – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and City Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Compliance with the provisions of the Fund Balance Classification Policy are reviewed as part of the annual budget adoption process. The City Manager reports to the Council as close to the end of the year as possible the anticipated year-end fund balance or deficit. The Council takes appropriate action to commit or assign, or otherwise allocate prior year fund balances as a part of the budget planning process.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

Net Position

Government-wide net position is divided into three components:

Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consists of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – all other net position is reported in this category.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Grants and Other Intergovernmental Revenues

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered "earned"; therefore, revenues are recognized based on expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Budgetary Accounting

An operating budget is adopted each fiscal year for the General Fund and most Special Revenue Funds on the same modified accrual basis used to reflect actual revenues and expenditures. Appropriations for these funds lapse at year end to the extent that they have not been expended or encumbered. The Capital Project funds adopt project-length budgets.

Supplemental appropriations that amend the total expenditures of any department or fund require Council approval. The budgeted financial statements presented in this report reflect the final budget authorization, including amendments made during the year.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. The Administrator must submit to the City Council by May 1 a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the City Council to provide an opportunity for public comment.
- c. By June 15, by City Council action, the budget is legally enacted through passage of an ordinance. If the City Council fails to pass an ordinance, the budget submitted by the Administrator becomes the adopted budget.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

In order to demonstrate budgetary compliance, accounting principles in the United States require that management provide certain budgetary comparison schedules for the General Fund and each major special revenue fund with an annually adopted budget. For fiscal year 2015, The City adopted a project length budget for the Fuel/Gas Special Revenue Fund and Other Capital Projects Capital Project Fund. Therefore the budgetary schedule has not been presented with the required supplementary information.

The following funds and functions, when applicable, had expenditures over appropriations:

General Fund:

General Government	\$ 94,843
Public Safety	12,118

Fund Deficit

The Fuel/Gas Special Revenue Fund had a deficit of \$37,133 at June 30, 2015. Future operations and transfers from the General Fund are expected to finance the deficit.

(2) **Cash and Investments**

The City's cash and investment are comprised of the following at June 30, 2015:

Governmental funds:

Demand and money market accounts	\$ 3,441,399
Investments	<u>1,339,823</u>
	<u>\$ 4,781,222</u>

Except for the Permanent Fund and Geothermal Development Special Revenue Funds, Other Capital Projects, and Town Creek Capital Project Funds, all cash is maintained in a central treasury and is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments" or in the case of "negative" cash, is included in "due to other funds." The City's cash is held in the form of demand accounts including checking, savings, and money market accounts held by commercial banks and money market funds in investment accounts as follows:

Bank deposits at carrying value	\$ 725,173
Undeposited funds	14,511
Money market funds	<u>2,701,715</u>
Total	<u>\$ 3,441,399</u>

Custodial credit risk - is the risk that in the event of a bank failure, the City's deposits may not be returned to it. To limit credit risk, City policy requires that all deposits be insured or covered by collateralization agreements although one of the City's current banking arrangements does not include collateralization and was uninsured to the extent of approximately \$394,806 at June 30, 2015.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Investment policy

The City's investment policy authorizes investments in:

1. Treasury bonds, bills, notes or other general obligation evidences of indebtedness of the United States or an agency or instrumentality of the United States, or of the State of Alaska, or of other states of the United States, or of this City, of other cities of the State, and of boroughs of this State;
2. Fully insured or fully collateralized certificates of deposit, savings deposits, and other interest-bearing deposit accounts in member banks insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC);
3. Repurchase agreements where the general checking balance at the end of each business day is used to buy a security from the bank and held over night;
4. Investments through the Alaska Municipal League Investment Pool (AMLIP); and
5. Domestic, international, and real estate equities.

Interest rate risk - is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Investment maturities at June 30, 2015 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturities (in Years)		
		<u>Less Than 1</u>	<u>1-5</u>	<u>More Than 5</u>
Mutual Funds:				
Mid Cap Blend	\$ 69,761	-	-	69,761
Large Cap Blend	218,407	-	-	218,407
Developed International	138,973	-	-	138,973
Fixed Income:				
Fixed Rate Bonds	310,453	177,931	79,289	53,233
Medium Term Notes	50,209	-	50,209	-
Corporate Bonds	24,715	-	-	24,715
Government Mortgage Back	25,781	-	-	25,781
Treasuries	413,796	-	160,761	253,035
Other	<u>87,728</u>	<u>87,728</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 1,339,823</u>	<u>265,659</u>	<u>290,259</u>	<u>783,905</u>

Credit risk - is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investments in mutual funds of \$427,141 were rated as follows by Standard and Poor's: \$218,407 is rated A-, \$69,761 is rated BBB+, and \$138,973 is rated BBB. The City's investments in fixed income bonds of \$310,453 were rated as follows by Standard and Poor's: \$104,697 is rate A -, \$27,826 is rate BBB+, \$177,930 is not rated. The City's investment in medium term notes of \$50,209 were not rated, investments in non-US corporate bond of \$24,715 was rated A.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Concentration of Credit Risk

The City places no limit on the amount that the City can invest in any one issue. At June 30, 2015, more than 5% of the City's investments were held in securities of the issuer listed below:

<u>Type of Investments</u>	<u>Amount</u>	<u>Of Investment</u>
Vanguard REIT ETF	\$ 69,760	5.2%
SPDR S&P 500 ETF Trust	\$ 218,407	16.3%
Vanguard FTSE CEV MKTS ETF	\$ 138,973	10.4%
HSBC Finance Corp	\$ 102,426	7.6%
PPG Industries Inc.	\$ 75,505	5.6%
ConocoPhillips CDA	\$ 79,289	5.9%
British Columbia PROV FGN SR NT	\$ 76,061	5.6%

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAA for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. The share value of investments in the AMLIP is approximately equal to fair value.

(3) Investment in Southwest Governments, LLC

The City has purchased a 40 percent ownership in Southwest Governments, LLC, an investment company formed to buy an office building in Anchorage, Alaska. The office building was purchased in May 2002 and is currently rented to outside parties, including the group that owns Southwest Governments, LLC. The City's investment in Southwest Governments, LLC, is recorded on the equity method. The City's balance in this investment at June 30, 2015, is \$546,067.

(4) Accounts Receivable and Valuation Allowance

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful receivables. At June 30, 2015, receivables for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Fuel/Gas Special Revenue Fund	Nonmajor Fund	Total Governmental Fund	Business-type Activities Electric Enterprise Fund	Total
Receivables:						
Fish taxes	\$ 248,592	-	-	248,592	-	248,592
Customers	9,021	50,672	-	59,693	6,012	65,705
Grants	-	-	201,315	201,315	-	201,315
Notes receivable	72,564	-	-	72,564	-	72,564
Other	17,530	-	-	17,530	-	17,530
Gross receivables	347,707	50,672	201,315	599,694	6,012	605,706
Less: allowance for uncollectibles	(27,360)	(20,000)	-	(47,360)	-	(47,360)
Net receivables	\$ 320,347	30,672	201,315	552,334	6,012	558,346

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

The City reports deferred inflows of resources for unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. For the year ended June 30, 2015, total unavailable revenues amounted to \$20,058.

(5) Long-Term Receivable

In August 2010, the City signed an agreement with Akutan Traditional Council to loan \$100,400 to the Council for construction of six homes. The Council makes payments as funds are available. The long-term receivable at June 30, 2015 was \$72,564.

(6) Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<u>Governmental activities</u>				
<i>Capital assets not being depreciated:</i>				
Land and improvements	\$ 793,886	-	-	793,886
Construction in progress	<u>1,413,435</u>	<u>1,323,679</u>	<u>1,501,053</u>	<u>1,236,061</u>
Total capital assets not being depreciated	<u>2,207,321</u>	<u>1,323,679</u>	<u>1,501,053</u>	<u>2,029,947</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	5,762,519	-	1,050,000	4,712,519
Equipment	1,012,078	41,323	18,901	1,034,500
Water and sewer lines	625,000	-	-	625,000
Infrastructure	<u>6,471,378</u>	<u>-</u>	<u>-</u>	<u>6,471,378</u>
Total capital assets being depreciated	<u>13,870,975</u>	<u>41,323</u>	<u>1,068,901</u>	<u>12,843,397</u>
Less accumulated depreciation for:				
Buildings and improvements	1,434,528	117,125	105,000	1,446,653
Equipment	371,898	77,594	11,701	437,791
Water and sewer lines	372,500	12,500	-	385,000
Infrastructure	<u>2,304,118</u>	<u>164,908</u>	<u>-</u>	<u>2,469,026</u>
Total accumulated depreciation	<u>4,483,044</u>	<u>372,127</u>	<u>116,701</u>	<u>4,738,470</u>
Total capital assets being depreciated, net	<u>9,387,931</u>	<u>(330,804)</u>	<u>952,200</u>	<u>8,104,927</u>
Governmental activity capital assets, net	\$ <u>11,595,252</u>	<u>992,875</u>	<u>2,453,253</u>	<u>10,134,874</u>

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
<u>Business-type activities</u>				
<i>Capital assets:</i>				
Buildings and improvements	319,116	-	-	319,116
Service lines	1,667,656	-	-	1,667,656
Infrastructure	739,683	1,501,053	-	2,240,736
Equipment	<u>1,232,211</u>	<u>-</u>	<u>-</u>	<u>1,232,211</u>
Total capital assets	<u>3,958,666</u>	<u>1,501,053</u>	<u>-</u>	<u>5,459,719</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 130,029	12,594	-	142,623
Service lines	500,490	47,433	-	547,923
Infrastructure	310,672	89,846	-	400,518
Equipment	<u>276,261</u>	<u>78,421</u>	<u>-</u>	<u>354,682</u>
Total accumulated depreciation	<u>1,217,452</u>	<u>228,294</u>	<u>-</u>	<u>1,445,746</u>
Business-type activity capital assets, net	\$ <u>2,741,214</u>	<u>1,272,759</u>	<u>-</u>	<u>4,013,973</u>

Depreciation expense was charged to the functions as follows:

Governmental activities

General government	\$ 46,292
Public safety	12,871
Community services	105,657
Public works	66,045
Water and solid waste	27,243
Port	<u>114,019</u>
Total governmental activities	\$ <u>372,127</u>

Business-type activities

Electric utility	\$ <u>228,294</u>
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CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

(7) Interfund Receivables, Payables, and Transfers

(a) Interfund Receivables and Payables

A summary of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major governmental funds:		
General Fund	Fuel/Gas Special Revenue Fund	\$ <u>153,922</u>
Transfers:		
From General Fund to:		
Electric Enterprise Fund to cover operating costs		\$ 317,411
Other governmental funds to cover operating costs		4,295
Other Capital Projects Capital Project Fund to cover capital costs		75,975
From Other Capital Projects Capital Project Fund to Duplex New Construction Capital Project Fund to cover capital grant match		173,646
From Daycare Facilities Capital Project Fund to General Fund to transfer remaining fund balance as project was completed		<u>74,258</u>
Total transfers to other funds		\$ <u>645,585</u>

(8) Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2015:

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Retired</u>	Balance June 30, <u>2015</u>	Due Within <u>One Year</u>
<u>Governmental activities</u>					
Accrued leave (net of payouts)	<u>54,705</u>	<u>57,915</u>	<u>54,705</u>	<u>57,915</u>	<u>57,915</u>
<u>Business-type activities</u>					
Accrued leave (net of payouts)	\$ <u>2,127</u>	<u>6,825</u>	<u>2,127</u>	<u>6,825</u>	<u>6,825</u>

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

(9) Fund Balances

Fund balances, reported in the City's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	General Fund	Permanent Special Revenue	Fuel/ Gas Special Revenue	Other Capital Projects Capital Project	Other Governmental Funds	Totals
Nonspendable:						
Inventory	\$ 108,420	-	108,710	-	-	217,130
Prepaid items	32,092	-	-	-	-	32,092
Long-term receivables	72,564	-	-	-	-	72,564
Investment in Southwest Governments, LLC	472,543	-	-	-	-	472,543
Total nonspendable	\$ 685,619	-	108,710	-	-	794,329
Committed:						
Permanent Fund	\$ -	1,349,704	-	-	-	1,349,704
Capital projects	-	-	-	84,499	-	84,499
Geothermal Development	-	-	-	-	555,482	555,482
Town Creek hydro	-	-	-	-	16,149	16,149
Duplex New Construction	-	-	-	-	173,646	173,646
Water and sewer projects	-	-	-	-	256,000	256,000
Boat harbor projects	-	-	-	-	10,000	10,000
Total committed	-	1,349,704	-	84,499	1,011,277	2,445,480
Unassigned (deficit)	2,668,325	-	(145,843)	-	-	2,522,482
Total fund balances	\$ 3,353,944	1,349,704	(37,133)	84,499	1,011,277	5,762,291

(9) Landfill Closure and Postclosure Liability

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, accounting principles generally accepted in the United States of America require that the City report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. However, at this time, the study to estimate the ultimate cost of closure and postclosure monitoring has not been completed. As a result, there is no accrual to provide for these costs in the financial statements.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

(10) Prior Period Adjustment

In 2015 it was discovered that in prior years several employees were moved from temporarily employment status (not eligible for PERS) to permanent positions (eligible for PERS). The City failed to make necessary adjustments in their payroll system at the time the change was made and did not start to make contributions for the employees into PERS until 2015. This resulted in understatement of PERS liability by \$63,686. Fuel inventory was understated by \$69,570 due to an oversight of fuel delivery in May of 2014. The summary by fund is as follows:

	General Fund	Fuel/Gas Special Revenue Fund	Government- wide
Beginning fund balances, as originally stated	\$ 2,617,649	19,329	16,994,858
Prior Period adjustment	(63,686)	69,570	5,884
Ending fund balances, as restated	\$ <u>2,553,963</u>	<u>88,899</u>	<u>17,000,742</u>

(11) Change in Accounting Principle

As discussed in Note 12 to the financial statements, the City participates in the Alaska Public Employees' Retirement System (PERS). In 2015, the City adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the City's fiscal year. As a result of the implementation of these statements, the City has recorded an opening balance adjustment to increase liabilities and to decrease opening net position as follows:

Governmental Activities:

Opening net position, as restated with prior period adjustment (note 10)	\$ 17,000,742
Change in accounting principle adjustment	<u>(671,600)</u>
Opening net position, as restated	\$ <u>16,329,142</u>

(12) Employee Retirement Systems and Plan

The City follows Governmental Accounting Standards Board (GASB) Codification P20, Accounting for Pensions by State and Local Governmental Employees and GASB Codification P50, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions. GASB Codification P20 and GASB Codification P50 establish uniform standards for the measurement, recognition and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Employee Retirement Systems and Plan, continued

Retirement Plans. All full-time employees and certain permanent part-time employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan the system also administers other post-employment benefit plans.

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature.

Summary of Significant Accounting Policies. The financial statements for PERS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

PERS acts as the common investment and administrative agencies for the following multiple-employer plans:

Plan Name	Type of Plan
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (DB)	
Occupational Death and Disability Plan	Cost-sharing, Defined Benefits OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Benefits OPEB
Retiree Medical Plan	Cost-sharing, Defined Benefits OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Healthcare Reimbursement Arrangement Plan	Defined Contribution OPEB

Other Postemployment Benefit Plans (OPBP)

Occupational Death and Disability Plan (DB)

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System.

Alaska Retiree Healthcare Trust Plan (DB)

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF).

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Employee Retirement Systems and Plan, continued

Healthcare Reimbursement Arrangement Plan (DC)

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants.

Alaska Public Employee Retirement System (PERS) – Defined Benefit Plan (DB)

Plan Description. The City participates in the Alaska Public Employees' Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at <http://doa.alaska.gov/drb/pers>.

Pension Benefits. All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 159 employers participating in PERS, including the State of Alaska and 158 political subdivisions and public organizations.

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Employee Retirement Systems and Plan, continued

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006 and who have not reached age 60 may elect to pay for major medical benefits.

Post Retirement Pension Adjustments. Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

Funding Policy. In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

Salary Floor. During the 25th legislation session, Senate Bill 125 passed, which established a June 30, 2008 salary floor under AS 39.35.255(a)(2). The salary floor is the total base salaries paid by an employer to active employees of the system as of the fiscal year ending June 30, 2008. The statute requires the Division of Retirement and Benefits (Division) to collect employer contributions at a minimum based on FY 2008 base salaries.

Termination Costs. If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2015 the past service rate is 20.90%.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Employee Retirement Systems and Plan, continued

Employee Contribution Rate. The City PERS active members are required to contribute 6.75% (3.85% pension costs and 2.90% OPEB).

Employer and Other Contribution Rates. There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (12.54% pension costs and 9.46% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 44.03% (25.09% pension and 18.94% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. Note that in 2015, the State legislature appropriated a one-time contribution to the plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for 2015 is 42.41% (100% pension costs), which significantly exceeds the statutory amount. On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board* (GASB). Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate and a 4.90% healthcare discount rate. The current rate is 88.12% (33.05% pension and 55.07% OPEB).

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Employee Retirement Systems and Plan, continued

Employer contributions for the years ended June 30, 2015, 2014 and 2013 are as follows:

		Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2015	\$	61,712	46,554	108,266
2014		58,725	62,698	121,423
2013		61,834	78,843	140,677

For the year ended June 30, 2015 the State of Alaska contributed \$298,119 or 42.41% (pension cost) on-behalf of the City. In the government-wide financial statements the pension expense has been adjusted as of the measurement date June 30, 2014 to a total of \$75,296, to represent the pension expense attributable to the State under the full accrual basis of accounting.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the City reported a liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$	882,277
State's proportionate share of the net pension liability		<u>664,805</u>
Total	\$	<u>1,547,082</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2014, the City's proportion was 0.0189%, which is an increase of 0.0051 percentage points from its proportion measured as of June 30, 2013.

Based on the measurement date of June 30, 2014, the City recognized pension expense of \$159,608 for the year ended June 30, 2015. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Employee Retirement Systems and Plan, continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(81,546)
Changes in proportion and differences between City contributions and proportionate share of contributions	122,402	-
City contributions subsequent to the measurement date	61,712	-
Total	\$ 184,114	(81,546)

\$61,712 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 10,214
2017	10,214
2018	10,214
2019	10,214
Total	\$ 40,856

For the year ended June 30, 2015, the City recognized \$10,214 of amortization of the deferred inflows and outflows of resources.

Actuarial Assumptions: The total pension liability in the June 30, 2014 (latest available) actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions were based upon the results of an actuarial experience study performed as of June 30, 2013.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Employee Retirement Systems and Plan, continued

Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers / firefighters, 50% of the time for others.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Employee Retirement Systems and Plan, continued

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	6.77%
International Equity	7.50%
Private Equity	10.86%
Fixed Income	2.05%
Real Estate	3.63%
Absolute Return	4.80%

Discount Rate: The discount rate used to measure the total pension liability was 8.00%. The projection of the cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net pension was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan calculated using the discount rate of 8%, as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Rate (8%)</u>	<u>1% Increase (9%)</u>
Net pension liability	\$ <u>1,156,835</u>	<u>882,277</u>	<u>651,074</u>

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Employee Retirement Systems and Plan, continued

Alaska Public Employee Retirement System (PERS) – Defined Contribution Plan (DC)

Plan Description and Funding Requirements. City's and Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.66% for the retiree medical plan (DB), 0.22% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

- 2 years of service – 25%
- 3 years of service – 50%
- 4 years of service – 75%
- 5 years of service – 100%

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2015 are as follows:

	Employer	Employee
Defined contribution – pension (DC)	\$ 15,543	24,869
Other post-employment benefits (DB):		
Retiree medical plan	5,160	-
Occupational death and disability benefits	684	-
Other post-employment benefits (DC) –		
Health reimbursement agreement (HRA)	14,369	-
Defined benefit unfunded liability (DBUL)	32,633	-
	<u>\$ 68,389</u>	<u>24,869</u>

Actual contributions were equal to the annual required contributions. The Defined Benefit Unfunded Liability (DBUL) is computed as the difference between the statutory employer contribution rate less employer contributions for the defined contribution, major medical, occupational death and disability and the health reimbursement arrangement. The DBUL calculation is allocated 57% pension and 43% OPEB.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

Employee Retirement Systems and Plan, continued

Employer contributions for the years ended June 30, 2015, 2014 and 2013 are as follows:

		Pensions	Other Post-Employment Benefits	Total
2015	\$	34,144	34,245	68,389
2014		40,129	41,738	81,867
2013		33,086	35,061	68,147

Actual contributions were equal to the annual required contributions.

(13) Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs.

The City participates in the Alaska Municipal League Joint Insurance Association (AML/JIA) which provides insurance coverage for property and contents damage including damage from flood or earthquake, torts, general liability, public officials liability, and workers' compensation. The AML/JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2015. The City has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the policies have stayed relatively constant for the past few years.

(14) Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and State governments. Any disallowed claims, including amounts already collected, would become a liability.

The City is involved in various claims and pending litigation as part of the normal course of its activities. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the City's financial statements.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

(16) **Subsequent Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 72 – *Fair Value Measurement and Application*. Effective for periods beginning after June 15, 2015.
- GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. Effective for fiscal years beginning after June 15, 2015.
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective for fiscal years beginning after June 15, 2016.
- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective for fiscal years beginning after June 15, 2017.
- GASB 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Effective for fiscal years beginning after June 15, 2015.
- GASB 77 – *Tax Abatement Disclosures*. Effective for fiscal years beginning after December 15, 2015.
- GASB 78 – *Pension Provided through Certain Multiple – Employer Defined Benefit Pension Plans*. Effective for fiscal years beginning after December 15, 2015.
- GASB 79 – *Certain External Investment Pools and Pool Participants*. Effective for fiscal years beginning after June 15, 2015.
- GASB 80 – *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. Effective for fiscal years beginning after June 15, 2016.
- GASB 81 – *Irrevocable Split –Interest Agreements*. Effective for fiscal years beginning after December 15, 2016.

Statements 73, 76, 77, 78, 79 and 81 are not expected to have any significant impact on the financial statements of the City.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements.

CITY OF AKUTAN, ALASKA

Notes to Basic Financial Statements, continued

GASB Statements No. 74 and 75 have the objective to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, this Statement requires two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position. Note disclosures and required supplemental information are addressed in these statements. GASB Statement 75 establishes standards for measuring liabilities, deferred inflow and outflows of resources, and expenses/expenditures.

GASB Statement No. 80 – This statement amends the blending requirements for the financial statements presentation of component units of all State and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation when the primary government is the sole corporate member.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AKUTAN, ALASKA

General Fund

Schedule of Revenues, Expenditures

and Changes in Fund Balance - Original and Final Budget and Actual

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Budget - Positive (Negative)
Revenues:				
Intergovernmental:				
State of Alaska	\$ 1,198,344	1,282,574	1,548,307	265,733
Local:				
Fish taxes	1,876,000	1,876,000	1,774,963	(101,037)
Investment income	40,000	40,000	40,827	827
Other revenues	211,557	220,056	247,586	27,530
Total revenues	<u>3,325,901</u>	<u>3,418,630</u>	<u>3,611,683</u>	<u>193,053</u>
Expenditures:				
Current:				
General government	1,222,754	1,373,076	1,467,919	(94,843)
Public safety	90,866	90,366	102,484	(12,118)
Community services	304,626	304,626	219,929	84,697
Public works	258,201	288,201	152,794	135,407
Cable	-	20,105	19,436	669
Water and solid waste	92,445	182,769	133,029	49,740
Apartment building	12,738	12,738	6,219	6,519
Port	8,200	59,518	36,043	23,475
Airport	609,174	779,974	350,426	429,548
Total expenditures	<u>2,599,004</u>	<u>3,111,373</u>	<u>2,488,279</u>	<u>623,094</u>
Excess of revenues over expenditures	726,897	307,257	1,123,404	816,147
Other financing sources (uses):				
Transfers in	-	-	74,258	74,258
Transfers out	<u>(726,897)</u>	<u>(667,588)</u>	<u>(397,681)</u>	<u>269,907</u>
Total other financing sources (uses)	<u>(726,897)</u>	<u>(667,588)</u>	<u>(323,423)</u>	<u>344,165</u>
Net change in fund balance	\$ <u>-</u>	<u>(360,331)</u>	799,981	<u>1,160,312</u>
Beginning fund balance, as originally stated			2,617,649	
Prior period adjustment			<u>(63,686)</u>	
Beginning fund balance, as restated			<u>2,553,963</u>	
Ending fund balance			\$ <u>3,353,944</u>	

CITY OF AKUTAN, ALASKA
 Permanent Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Original and Final Budget and Actual
 Year Ended June 30, 2015

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Revenues - local- investment income	\$ <u>20,000</u>	<u>20,000</u>	<u>29,769</u>	<u>9,769</u>
Expenditures - general government- Investment fees	<u>1,000</u>	<u>1,000</u>	<u>5,137</u>	<u>(4,137)</u>
Excess of revenues over expenditures	<u>19,000</u>	<u>19,000</u>	<u>24,632</u>	<u>5,632</u>
Net change in fund balance	\$ <u><u>19,000</u></u>	<u><u>19,000</u></u>	<u>24,632</u>	<u><u>5,632</u></u>
Beginning fund balance			<u>1,325,072</u>	
Ending fund balance			<u><u>1,349,704</u></u>	

CITY OF AKUTAN, ALASKA

Schedule of City's Proportionate Share of the Net Pension Liability

Public Employees' Retirement System

June 30, 2015

City's proportion of the net pension liability (asset)	0.019%
City's proportionate share of net pension liability (asset)	\$ 882,277
State's proportionate share of the net pension liability (asset) associated with the City	664,805
Total	\$ <u>1,547,082</u>
City's covered employee payroll	\$ 551,923
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	160%
Plan fiduciary net position as a percentage of the total pension liability	62.37%

Notes to schedule

1. Information presented for 2015 is based upon Plan measurement date June 30, 2014.
2. This schedule is intended to present 10 years of information. Additional years will be included as it becomes available.

CITY OF AKUTAN, ALASKA

Schedule of City's Contributions

Public Employees Retirement System

June 30, 2015

Contractually required contribution	\$ 61,712
Contributions in relation to the contractually required contribution	(61,712)
Contribution deficiency (excess)	-
City's covered-employee payroll	\$ 492,121
Contributions as a percentage of covered employee payroll	12.54%

Notes to schedule

1. Valuation date: June 30, 2013
 2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.
- Methods and assumptions used to determine contribution rates:
3. Actuarial cost method: Entry Age Normal.
 4. Amortization method: Level dollar, closed.
 5. Amortization period: 25 years, layered.
 6. Equivalent single amortization period: 17 years.
 7. Asset valuation method: Actuarial value that smooths investment gains and losses over 5 years, constrained to a range of 80% - 120% of fair value.
 8. Inflation: 3.12% per annum.
 9. Salary increases: Ranges from 6.36% to 4.12% based on service for Peace Officer/Firefighter. Ranges from 9.60% to 3.62% based on age and service for All Others.
 10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
 11. Retirement age: An age-related assumption is used for participants not yet receiving payments.
 12. Mortality: 1994 Group Annuity Mortality (GAM) Table, sex distinct, 1994 Base Year without margin projected to 2013 using projection Scale AA, 80% of the male table for males and 60% of the female table for females for pre-termination mortality for Peace Officer/Firefighter, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females for pre-termination mortality for All Others and the 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females for post-termination mortality.
 13. This schedule is intended to present 10 years of information. Additional years will be included as it becomes available.

SUPPLEMENTARY INFORMATION

CITY OF AKUTAN, ALASKA
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2015

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Revenues:			
Intergovernmental:			
State of Alaska:			
Fisheries business tax	\$ 870,000	1,029,663	159,663
Fisheries landing tax	180,000	69,412	(110,588)
Revenue sharing	148,344	151,113	2,769
PERS relief	84,230	298,119	213,889
Total State of Alaska	<u>1,282,574</u>	<u>1,548,307</u>	<u>265,733</u>
Local:			
Fish taxes	1,876,000	1,774,963	(101,037)
Investment income	40,000	40,827	827
Total local	<u>1,916,000</u>	<u>1,815,790</u>	<u>(100,210)</u>
Other revenues:			
Apartment rental	11,294	43,146	31,852
Warehouse rental	1,500	-	(1,500)
Vehicle rental	500	-	(500)
Airport - lodging	15,000	-	(15,000)
Airport - meals	7,500	-	(7,500)
IHS clinic lease	16,893	16,893	-
Trident lease	15,911	15,911	-
APICDA community support	120,253	122,000	1,747
Skiff moorage	5,000	2,031	(2,969)
Cable fees	20,105	28,562	8,457
Surf inn sales	-	16,654	16,654
Miscellaneous	6,100	2,389	(3,711)
Total other revenues	<u>220,056</u>	<u>247,586</u>	<u>27,530</u>
Total revenues	<u>3,418,630</u>	<u>3,611,683</u>	<u>193,053</u>

(Continued)

CITY OF AKUTAN, ALASKA

General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Expenditures:			
Current:			
General government:			
Mayor and council:			
Salaries and benefits	\$ 158,758	222,040	(63,282)
Travel and per diem	17,000	4,561	12,439
Parts and supplies	1,000	-	1,000
Dues and fees	2,000	1,592	408
Contributions	7,000	1,158	5,842
Legal	-	1,340	(1,340)
Total mayor and council	<u>185,758</u>	<u>230,691</u>	<u>(44,933)</u>
Planning and zoning:			
Salaries and benefits	2,500	5,492	(2,992)
Contractual services	71,595	48,085	23,510
Travel and per diem	5,000	-	5,000
Parts and supplies	1,250	43	1,207
Insurance	470	-	470
Dues and fees	1,500	3,587	(2,087)
Legal	5,000	33,173	(28,173)
Miscellaneous	-	1,004	(1,004)
Total planning and zoning	<u>87,315</u>	<u>91,384</u>	<u>(4,069)</u>
Administration:			
Salaries and benefits	583,274	673,675	(90,401)
Contractual services	96,747	86,114	10,633
Outside services	15,000	31,864	(16,864)
Travel and per diem	30,000	30,596	(596)
Parts and supplies	21,000	29,729	(8,729)
Rent	30,782	30,720	62
Insurance	43,000	26,213	16,787
Telephone	26,000	26,488	(488)
Electricity	4,000	4,000	-
Dues and fees	7,200	9,822	(2,622)
Postage	1,000	741	259
Freight	1,000	1,692	(692)
Equipment	32,000	24,565	7,435
Repairs and maintenance	500	-	500

(Continued)

CITY OF AKUTAN, ALASKA

General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	Final Budgeted <u>Amount</u>	<u>Actual</u>	Variance with Budget - Positive <u>(Negative)</u>
Expenditures, continued:			
Administration, continued:			
Bank fees	\$ 2,000	4,369	(2,369)
Lobbying	115,000	108,750	6,250
Fuel	4,000	1,513	2,487
Legal	-	16,172	(16,172)
Miscellaneous	87,500	38,821	48,679
Total administration	<u>1,100,003</u>	<u>1,145,844</u>	<u>(45,841)</u>
 Total general government	 <u>1,373,076</u>	 <u>1,467,919</u>	 <u>(94,843)</u>
 Public safety - police and fire:			
Salaries and benefits	70,366	92,846	(22,480)
Parts and supplies	1,500	122	1,378
Insurance	2,000	3,470	(1,470)
Telephone	1,100	1,372	(272)
Electricity	1,500	1,224	276
Equipment	10,000	-	10,000
Fuel	1,900	3,450	(1,550)
Miscellaneous	2,000	-	2,000
Total public safety - police and fire	<u>90,366</u>	<u>102,484</u>	<u>(12,118)</u>
 Community services:			
Clinic and health:			
Insurance	1,820	-	1,820
Repairs and maintenance	2,000	-	2,000
Miscellaneous	844	11	833
Total clinic and health	<u>4,664</u>	<u>11</u>	<u>4,653</u>

(Continued)

CITY OF AKUTAN, ALASKA

General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Expenditures, continued:			
Library:			
Salaries and benefits	\$ 41,733	47,919	(6,186)
Parts and supplies	500	16	484
Books and subscriptions	200	-	200
Insurance	3,200	2,712	488
Telephone	1,250	1,062	188
Electricity	600	600	-
Fuel	7,000	4,448	2,552
Equipment	5,000	-	5,000
Dues and fees	200	-	200
Miscellaneous	500	-	500
Total library	<u>60,183</u>	<u>56,757</u>	<u>3,426</u>
Daycare:			
Salaries and benefits	203,579	127,857	75,722
Travel and per diem	3,000	-	3,000
Parts and supplies	10,000	9,110	890
Books and subscriptions	1,000	-	1,000
Insurance	6,100	5,894	206
Telephone	1,100	-	1,100
Electricity	5,000	5,000	-
Fuel	7,000	3,220	3,780
Equipment	500	-	500
Repairs and maintenance	2,500	12,000	(9,500)
Miscellaneous	-	80	(80)
Total daycare	<u>239,779</u>	<u>163,161</u>	<u>76,618</u>
Total community services	<u>304,626</u>	<u>219,929</u>	<u>84,697</u>
Public works:			
Salaries and benefits	143,501	77,239	66,262
Contractual services	20,000	20,951	(951)
Travel and per diem	10,000	2,689	7,311
Building materials	30,000	9,083	20,917
Parts and supplies	5,000	5,662	(662)
Insurance	9,000	8,677	323
Postage	500	18	482
Freight	4,500	7,302	(2,802)
Electricity	400	400	-
Fuel	800	-	800

(Continued)

CITY OF AKUTAN, ALASKA

General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Expenditures, continued:			
Public works, continued:			
Gasoline	\$ 1,000	-	1,000
Equipment	30,000	176	29,824
Repairs and maintenance	30,000	-	30,000
Dues and fees	2,000	55	1,945
Miscellaneous	1,500	20,542	(19,042)
Total public works	<u>288,201</u>	<u>152,794</u>	<u>135,407</u>
Cable:			
Salaries and benefits	3,105	4,077	(972)
Parts and supplies	2,000	321	1,679
Insurance	-	305	(305)
Subscriptions	15,000	14,733	267
Total cable	<u>20,105</u>	<u>19,436</u>	<u>669</u>
Water and solid waste:			
Water and sewer:			
Salaries and benefits	45,280	58,289	(13,009)
Outside services	2,500	2,626	(126)
Travel and per diem	2,520	3,345	(825)
Parts and supplies	15,000	3,970	11,030
Insurance	3,500	4,498	(998)
Telephone	300	365	(65)
Postage	300	105	195
Freight	3,500	525	2,975
Electricity	300	1,036	(736)
Fuel	3,000	-	3,000
Repairs and maintenance	13,624	2,122	11,502
Dues and fees	500	1,547	(1,047)
Total water and sewer	<u>90,324</u>	<u>78,428</u>	<u>11,896</u>
Garbage and recycling:			
Salaries and benefits	73,245	50,752	22,493
Parts and supplies	3,000	501	2,499
Insurance	3,000	3,348	(348)
Equipment	13,000	-	13,000
Gasoline	200	-	200
Total garbage and recycling	<u>92,445</u>	<u>54,601</u>	<u>37,844</u>
Total water and solid waste	<u>182,769</u>	<u>133,029</u>	<u>49,740</u>

(Continued)

CITY OF AKUTAN, ALASKA

General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Expenditures, continued:			
Apartment building:			
Salaries and benefits	-	359	(359)
Outside services	1,200	-	1,200
Parts and supplies	2,000	330	1,670
Insurance	3,500	2,821	679
Fuel	2,000	2,709	(709)
Equipment	1,538	-	1,538
Repairs and maintenance	2,500	-	2,500
Total apartment building	<u>12,738</u>	<u>6,219</u>	<u>6,519</u>
Port:			
Harbor:			
Travel and per diem	5,000	-	5,000
Parts and supplies	1,000	-	1,000
Repairs and maintenance	500	-	500
Dues and fees	200	150	50
Miscellaneous	1,500	1,208	292
Total harbor	<u>8,200</u>	<u>1,358</u>	<u>6,842</u>
Skiff moorage:			
Insurance	700	-	700
Miscellaneous	800	-	800
Total skiff moorage	<u>1,500</u>	<u>-</u>	<u>1,500</u>

(Continued)

CITY OF AKUTAN, ALASKA

General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	Final Budgeted <u>Amount</u>	<u>Actual</u>	Variance with Budget - Positive <u>(Negative)</u>
Expenditures, continued:			
Dock and warehouse:			
Salaries and benefits	\$ 22,632	18,133	4,499
Parts and supplies	3,000	1,025	1,975
Travel and per diem	3,200	517	2,683
Insurance	13,000	10,041	2,959
Telephone	50	-	50
Electricity	1,300	2,363	(1,063)
Fuel	1,000	778	222
Repairs and maintenance	3,000	1,821	1,179
Contingency	1,318	-	1,318
Miscellaneous	1,318	7	1,311
Total dock and warehouse	<u>49,818</u>	<u>34,685</u>	<u>15,133</u>
 Total port	 <u>59,518</u>	 <u>36,043</u>	 <u>23,475</u>
 Airport:			
Salaries and benefits	314,103	218,974	95,129
Contractual services	46,000	-	46,000
Outside services	125,000	-	125,000
Travel and per diem	-	7,216	(7,216)
Parts and supplies	25,000	11,356	13,644
Building materials	-	4,212	(4,212)
Small tools	1,000	92	908
Freight	10,000	1,627	8,373
Rent	15,911	15,911	-
Insurance	6,500	15,954	(9,454)
Utilities	36,960	1,782	35,178
Fuel	170,000	66,720	103,280
Repairs and maintenance	20,000	3,508	16,492
Dues and fees	1,500	2,440	(940)
Miscellaneous	8,000	634	7,366
Total airport	<u>779,974</u>	<u>350,426</u>	<u>429,548</u>
 Total expenditures	 <u>3,111,373</u>	 <u>2,488,279</u>	 <u>623,094</u>
 Excess of revenues over expenditures	 \$ 307,257	 1,123,404	 816,147

(Continued)

CITY OF AKUTAN, ALASKA

General Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balance - Budget and Actual, continued

	Final Budgeted <u>Amount</u>	<u>Actual</u>	Variance with Budget - Positive <u>(Negative)</u>
Other financing sources (uses):			
Transfers in - Daycare Facilities Capital Project Fund	-	74,258	74,258
Transfers out:			
Boat Harbor Capital Project Fund	(53,696)	(4,295)	49,401
Other Capital Projects Fund	(100,405)	(75,975)	24,430
Fuel/Gas Special Revenue Fund	(10,000)	-	10,000
Electric Enterprise Fund	(503,487)	(317,411)	186,076
Total other financing uses	<u>(667,588)</u>	<u>(323,423)</u>	<u>344,165</u>
Net change in fund balance	\$ <u>(360,331)</u>	799,981	<u>1,160,312</u>
Beginning fund balance, as originally stated		2,617,649	
Prior period adjustment		<u>(63,686)</u>	
Beginning fund balance, as restated		<u>2,553,963</u>	
Ending fund balance		\$ <u>3,353,944</u>	

CITY OF AKUTAN, ALASKA
Fuel/Gas Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2015

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Revenues:			
Local:			
Charges for Services:			
Fuel sales	\$ 190,000	97,063	(92,937)
City fuel use	286,000	171,630	(114,370)
Total revenues	<u>476,000</u>	<u>268,693</u>	<u>(207,307)</u>
Expenditures:			
Current:			
Community services:			
Salaries and benefits	80,900	58,267	22,633
Parts and supplies	1,000	329	671
Insurance	4,000	8,965	(4,965)
Utilities	1,200	1,361	(161)
Gasoline	25,000	22,956	2,044
Diesel	369,000	298,737	70,263
Freight	2,500	4,110	(1,610)
Repairs and maintenance	2,400	-	2,400
Total expenditures	<u>486,000</u>	<u>394,725</u>	<u>91,275</u>
Excess (deficiency) of revenues over (under) expenditures	(10,000)	(126,032)	(116,032)
Other financing sources - transfers in	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Net change in fund balance	<u>\$ -</u>	(126,032)	<u>(126,032)</u>
Beginning fund balance, as originally stated		19,329	
Prior period adjustment		<u>69,570</u>	
Beginning fund balance, as restated		<u>88,899</u>	
Ending fund balance		<u>\$ (37,133)</u>	

CITY OF AKUTAN, ALASKA
Other Capital Projects Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2015

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Revenues:			
Local - other	\$ -	51	51
Total revenues	<u>-</u>	<u>51</u>	<u>51</u>
Expenditures:			
Capital outlay:			
ADOT-Ferry Dock	327,682	278,817	(48,865)
Akun Airport Replacement	975,173	889,514	(85,659)
USGC-Dock Repairs	78,151	26,252	(51,899)
Total expenditures	<u>1,381,006</u>	<u>1,194,583</u>	<u>(186,423)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,381,006)	(1,194,532)	(186,372)
Other financing sources (uses):			
Proceeds from sale of capital assets	825,525	825,525	-
Insurance proceeds	50,000	50,000	-
Transfers in	74,475	75,975	(1,500)
Transfers out	(173,646)	(173,646)	-
Total other financing sources (uses)	<u>776,354</u>	<u>777,854</u>	<u>(1,500)</u>
Net change in fund balance	\$ <u>(604,652)</u>	(416,678)	<u>(187,872)</u>
Beginning fund balance		<u>501,177</u>	
Ending fund balance		\$ <u><u>84,499</u></u>	

CITY OF AKUTAN, ALASKA

Other Governmental Funds
Combining Balance Sheet
June 30, 2015

	Special Revenue Fund	Capital Project Funds					Total Other Governmental Funds
	Geothermal Development	Water and Sewer	Boat Harbor	Town Creek	Duplex New Construction	Total	
<u>Assets</u>							
Cash and investments	\$ 422,428	256,000	11,149	19,505	105,916	392,570	814,998
Grant receivables	133,585	-	-	-	67,730	67,730	201,315
Total assets	556,013	256,000	11,149	19,505	173,646	460,300	1,016,313
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	531	-	1,149	3,356	-	4,505	5,036
Fund balances:							
Committed	555,482	256,000	10,000	16,149	173,646	455,795	1,011,277
Total liabilities and fund balances	\$ 556,013	256,000	11,149	19,505	173,646	460,300	1,016,313

CITY OF AKUTAN, ALASKA

Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2015

	Special Revenue Fund	Capital Project Funds						Total Other Governmental Funds
	Geothermal Development	Water and Sewer	Boat Harbor	Town Creek	Daycare Facilities	Duplex New Construction	Total	
Revenues:								
Intergovernmental:								
Federal sources	\$ 119,551	-	-	-	-	-	-	119,551
State of Alaska	66,212	-	-	87,560	-	67,730	155,290	221,502
Local sources - other	141	-	-	8	-	-	8	149
Total revenues	185,904	-	-	87,568	-	67,730	155,298	341,202
Expenditures:								
Current								
Public works	194,546	-	-	-	-	-	-	194,546
Capital outlay	-	-	4,295	87,618	-	67,730	159,643	159,643
Total expenditures	194,546	-	4,295	87,618	-	67,730	159,643	354,189
Excess (deficiency) of revenues over (under) expenditures	(8,642)	-	(4,295)	(50)	-	-	(4,345)	(12,987)
Other financing sources (uses):								
Transfer in	-	-	4,295	-	-	173,646	177,941	177,941
Transfer out	-	-	-	-	(74,258)	-	(74,258)	(74,258)
Net other financing sources (uses)	-	-	4,295	-	(74,258)	173,646	103,683	103,683
Net change in fund balances	(8,642)	-	-	(50)	(74,258)	173,646	99,338	90,696
Beginning fund balances	564,124	256,000	10,000	16,199	74,258	-	356,457	920,581
Ending fund balances	\$ 555,482	256,000	10,000	16,149	-	173,646	455,795	1,011,277

CITY OF AKUTAN, ALASKA
Geothermal Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2015

	Final Budgeted Amount	Prior Years	Actual Current Year	Total	Variance with Budget - Positive (Negative)
Revenues:					
Intergovernmental:					
Federal sources	\$ 931,000	-	119,551	119,551	(811,449)
State of Alaska	2,695,000	1,340,023	66,212	1,406,235	(1,288,765)
Local sources - other	-	133	141	274	274
Total revenues	<u>3,626,000</u>	<u>1,340,156</u>	<u>185,904</u>	<u>1,526,060</u>	<u>(2,099,940)</u>
Expenditures:					
Current:					
Public works:					
Salaries and benefits	35,000	9,290	-	9,290	25,710
Contractual services	3,769,000	1,289,604	188,315	1,477,919	2,291,081
Travel and per diem	95,000	124,982	6,170	131,152	(36,152)
Materials and supplies	60,000	25,266	-	25,266	34,734
Equipment	22,000	14,013	-	14,013	7,987
Other	-	52,611	61	52,672	(52,672)
Total public works	<u>3,981,000</u>	<u>1,515,766</u>	<u>194,546</u>	<u>1,710,312</u>	<u>2,270,688</u>
Debt service:					
Principal payments	500,000	345,454	-	345,454	154,546
Interest	-	46,392	-	46,392	(46,392)
Total debt service	<u>500,000</u>	<u>391,846</u>	<u>-</u>	<u>391,846</u>	<u>108,154</u>
Total expenditures	<u>4,481,000</u>	<u>1,907,612</u>	<u>194,546</u>	<u>2,102,158</u>	<u>2,378,842</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(855,000)</u>	<u>(567,456)</u>	<u>(8,642)</u>	<u>(576,098)</u>	<u>278,902</u>
Other financing sources:					
Proceeds from issuance of debt	500,000	345,454	-	345,454	(154,546)
Grant match portion	355,000	355,000	-	355,000	-
Transfers in	-	1,299,932	-	1,299,932	1,299,932
Total other financing sources	<u>855,000</u>	<u>2,000,386</u>	<u>-</u>	<u>2,000,386</u>	<u>1,145,386</u>
Net change in fund balance	\$ <u>-</u>	<u>1,432,930</u>	<u>(8,642)</u>	<u>1,424,288</u>	<u>1,424,288</u>
Beginning fund balance			564,124		
Ending fund balance			\$ <u>555,482</u>		

CITY OF AKUTAN, ALASKA
 Water and Sewer Capital Project Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2015

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Revenues	\$ -	-	-
Expenditures	-	-	-
Excess of revenues over expenditures	-	-	-
Other financing sources - transfers in	-	-	-
Net change in fund balance	\$ -	-	-
Beginning fund balance		256,000	
Ending fund balance		\$ 256,000	

CITY OF AKUTAN, ALASKA
 Boat Harbor Capital Project Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2015

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Revenues	\$ -	-	-
Expenditures - capital outlay - Other contractual	53,696	4,295	49,401
Excess (deficiency) of revenues over (under) expenditures	(53,696)	(4,295)	(49,401)
Other financing sources - transfers in	43,696	4,295	(39,401)
Net change in fund balance	\$ (10,000)	-	(10,000)
Beginning fund balance		10,000	
Ending fund balance		\$ 10,000	

CITY OF AKUTAN, ALASKA

Town Creek Capital Project Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2015

	Final Budgeted Amount	Prior Years	Actual Current Year	Total	Variance with Budget - Positive (Negative)
Revenues:					
Intergovernmental - State of Alaska	\$ 1,391,000	1,303,440	87,560	1,391,000	-
Local - investment income	-	257	8	265	265
Total revenues	<u>1,391,000</u>	<u>1,303,697</u>	<u>87,568</u>	<u>1,391,265</u>	<u>265</u>
Expenditure:					
Capital outlay:					
Salaries and benefits	15,000	1,383	-	1,383	13,617
Contractual services	259,000	254,399	80,915	335,314	(76,314)
Travel and per diem	37,000	69,848	5,781	75,629	(38,629)
Equipment	100,000	76,368	-	76,368	23,632
Materials and supplies	11,000	6,742	-	6,742	4,258
Dues and fees	753,000	946,575	-	946,575	(193,575)
Other	23,000	58,120	922	59,042	(36,042)
Unallocated	293,000	-	-	-	293,000
Total expenditures	<u>1,491,000</u>	<u>1,413,435</u>	<u>87,618</u>	<u>1,501,053</u>	<u>(10,053)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,000)</u>	<u>(109,738)</u>	<u>(50)</u>	<u>(109,788)</u>	<u>(9,788)</u>
Other financing sources - transfers in	<u>100,000</u>	<u>125,937</u>	<u>-</u>	<u>125,937</u>	<u>25,937</u>
Net change in fund balance	<u>\$ -</u>	<u>16,199</u>	<u>(50)</u>	<u>16,149</u>	<u>16,149</u>
Beginning fund balance			<u>16,199</u>		
Ending fund balance			<u>\$ 16,149</u>		

CITY OF AKUTAN, ALASKA
Daycare Facilities Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2015

	Final Budgeted Amount	Prior Years	Current Year	Total	Variance with Budget - Positive (Negative)
Revenues - other revenues	\$ -	17	-	17	17
Expenditures:					
Capital outlay:					
Salaries and benefits	12,000	11,162	-	11,162	(838)
Parts and supplies	5,000	2,640	-	2,640	(2,360)
Travel and per diem	5,000	3,446	-	3,446	(1,554)
Equipment	50,000	17,147	-	17,147	(32,853)
Postage	6,000	5,044	-	5,044	(956)
Outside services	12,000	14,717	-	14,717	2,717
Insurance	-	462	-	462	462
Miscellaneous	46,662	-	-	-	(46,662)
Dues and fees	-	55	-	55	55
Total expenditures	136,662	54,673	-	54,673	(81,989)
Excess (deficiency) of revenues over (under) expenditures	(136,662)	(54,656)	-	(54,656)	82,006
Other financing sources (uses):					
Transfer in	136,662	128,914	-	128,914	(7,748)
Transfer out	-	-	(74,258)	(74,258)	(74,258)
Net other financial sources (uses)	136,662	128,914	(74,258)	54,656	(82,006)
Net change in fund balance	\$ -	74,258	(74,258)	-	-
Beginning fund balance			74,258		
Ending fund balance			\$ -		

CITY OF AKUTAN, ALASKA
 Duplex New Construction Capital Project Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2015

	Final Budgeted Amount	Actual	Variance with Budget - Positive (Negative)
Revenues:			
Intergovernmental:			
State of Alaska - AHFC	\$ 694,586	67,730	(626,856)
Expenditures:			
Capital outlay:			
Contractual services	804,340	67,631	736,709
Other	63,892	99	63,793
Total expenditures	868,232	67,730	800,502
Excess (deficiency) of revenues over (under) expenditures	(173,646)	-	(1,427,358)
Other financing sources - transfers in	173,646	173,646	-
Net change in fund balance	\$ -	173,646	(1,427,358)
Beginning fund balance		-	
Ending fund balance		\$ 173,646	

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COMPLIANCE REPORT

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Members of the City Council
City of Akutan, Alaska
Akutan, Alaska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Akutan, Alaska as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Akutan, Alaska's basic financial statements, and have issued our report thereon dated October 11, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Akutan, Alaska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Akutan, Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Akutan, Alaska's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as Findings 2015-002, 2015-003, and 2014-004 to be material weaknesses.

Members of the City Council
City of Akutan, Alaska

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as Finding 2015-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Akutan, Alaska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Akutan, Alaska's Response to Findings

The City of Akutan's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. The City of Akutan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Akutan, Alaska's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Akutan, Alaska's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anchorage, Alaska
October 11, 2016

CITY OF AKUTAN, ALASKA

Schedule of Findings

Year Ended June 30, 2015

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Is going concern emphasis-of-matter paragraph included
In the audit report?

____ Yes X no

Internal control over financial reporting:

Material weakness(es) identified?

X Yes ____ no

Significant deficiency(ies) identified?

X Yes ____ none noted

Noncompliance material to financial statements noted?

____ Yes X no

Section II – Financial Statement Findings

Finding 2015-001

Significant Deficiency

Internal Control Over Payroll

Condition:

The payroll system of the City lacks internal controls necessary to ensure accurate financial reporting. Multiple transactions tested were not accurately supported by the payroll documentation (e.g. timesheet), or lacked the necessary payroll documentation (employee contracts, personnel action form with pay rate authorization, payroll deduction authorization).

Criteria:

Internal control procedures should be in place to ensure the payroll accounting system is maintained. Per City's policies, payroll transactions should be supported by approved timesheets, payroll rates and deductions should be documented in personnel files.

Context:

We attempted to test 40 transactions in order to assess control risk at a low level. We encountered internal control deficiencies and were unable to rely on internal controls over the payroll system.

Cause:

Lack of internal control over payroll system and employee personnel file retention.

Effect:

Lack of internal controls over payroll can lead to misstatements in the financial statements.

CITY OF AKUTAN, ALASKA

Schedule of Findings, Continued

Recommendation: The City should strengthen internal controls related to the payroll accounting system. Transactions should be double checked by supervisors to amount and coding, timesheets should be totaled and signed by both employee and supervisor. Personnel files should be periodically reviewed to ensure that all employees have adequate payroll documentation with their current approved pay rates and deductions.

Management's Response: Management concurs with finding. See corrective action plan.

Finding 2015-002
Material Weakness

Internal Control Over Cash Receipts

Condition: The cash receipts system of the City lacks internal controls necessary to ensure accurate financial reporting. During testing of cash receipts, we came across several transactions with no supporting documentation and were not able to trace the transactions to the bank deposits. We noted lack of segregation of duties over cash collection and recording of transactions to the general ledger.

Criteria: Proper internal control procedures require that procedures be in place to minimize the risk of error or fraud related to cash receipts. Additionally, the City accounting policies require that all cash receipts are accompanied by documentation supporting the individual receipts.

Context: During testwork over cash receipts, we found multiple transactions that had no supporting documentation and we were unable to trace deposits into the bank.

Cause: Lack of internal control over cash receipts.

Effect: Lack of internal controls over cash receipts can result in the financial statements potentially being materially misstated.

Recommendation: We recommend the City to establish an internal control system segregating the receipt, custody and recording duties related to cash receipt. Procedures should be established to ensure all cash receipt transactions have supporting documentation for the individual receipts, traceable to bank deposits and the general ledger.

Management's Response: Management concurs with finding. See corrective action plan.

CITY OF AKUTAN, ALASKA

Schedule of Findings, Continued

Finding 2015-003 **Material Weakness**

Internal Controls Over Fuel Inventory

Condition:	The City fuel inventory at the beginning of the year was understated by \$69,570 which required a prior period adjustment to the beginning fund balance.
Criteria:	Internal controls should be in place that ensures ending inventory balance is measured and accurately reported at year end.
Context:	The City did not accurately track fuel inventory during the preceding fiscal year.
Cause:	Lack of internal control over fuel inventory.
Effect:	Lack of internal controls over fuel inventory can result in the financial statements potentially being materially misstated.
Recommendation:	Internal controls should be implemented to ensure that the fuel tanks are dipped, at a minimum, at year end. Controls should be implemented to ensure that fuel inventory is safeguarded and all fuel deliveries made during the year are properly accounted for.
Management's Response:	Management concurs with finding. See corrective action plan.

Finding 2015-004 **Material Weakness**

Internal Controls Over Pension Liabilities

Condition:	The City PERS liabilities at the beginning of the year were understated by \$63,686 which required a prior period adjustment to the beginning fund balance.
Criteria:	Reporting pension expenses in the wrong period may result in inaccurate financial statements or misstatement of liabilities. The State of Alaska, per AS 39.35.255 (a), requires that each employer contributes to the pension plan every payroll period an amount calculated based on the required rate for all employees who were active members of the system during the corresponding payroll period.
Context:	The City did not make all the required pension contributions to the State of Alaska pension plan in prior years.

CITY OF AKUTAN, ALASKA

Schedule of Findings, Continued

Cause:	Lack of internal control over payroll.
Effect:	Lack of internal controls over payroll can result in the financial statements potentially being materially misstated.
Recommendation:	The City needs to develop policies and procedures to ensure that all permanent employees who are added to the City's payroll ledger get correctly classified as eligible for State of Alaska PERS. Pension expense for those employees should be calculated based on the required rate and paid to the plan timely.
Management's Response:	Management concurs with finding. See corrective action plan.

Section III – Summary of Prior Year Audit Findings

Financial Statement Findings

Finding 2014-001 **Material Weakness**

Internal Control Over Cash Disbursements

Condition: The City is not consistently following its policy of reviewing invoices and assigning coding prior to payment, printing check stock sequentially, and reviewing support prior to signing checks.

**Status/
Management's Response:** This finding has been resolved.

Finding 2014-002 **Significant Deficiency**

Internal Control Over Payroll

Condition: During testing of payroll, we came across several transactions where there were no proper documentation substantiating pay rates, documented and approved timesheets.

**Status/
Management's Response:** This finding has been repeated as Finding 2015-001.

Finding 2014-003 **Material Weakness**

Internal Control Over Cash Receipts

Condition: During testing of cash receipts, we came across several transactions with no supporting documentation and we were not able to trace the transactions to the bank deposits.

**Status/
Management's Response:** This finding has been repeated as Finding 2015-002.

CITY OF AKUTAN, ALASKA

Schedule of Findings, Continued

Finding 2014-004 **Material Weakness**

Internal Controls Over Cash

Condition: The City does not have proper internal controls in place in regards to the City cash account and the petty cash.

**Status/
Management's Response:** This finding has been resolved.

Finding 2014-005 **Material Weakness**

Internal Control Over Utility Billings

Condition: The City does not have proper internal controls over the billings for electric, cable, airport, and fuel.

**Status/
Management's Response:** This finding has been resolved.

State Awards Findings and Questioned Costs

Finding 2014-006

Internal Control and Noncompliance Over Reporting

Material Weakness/ Material Noncompliance

Condition: Quarterly financial reports were not submitted timely.

**Status/
Management's Response:** This finding is no longer valid as the City was not required to have State Single Audit.

Finding 2014-007

Internal Control and Noncompliance Over Reporting

Material Weakness/ Material Noncompliance

Condition: The City did not adhere to the requirement of submitting the reporting package on a timely basis.

**Status/
Management's Response:** This finding is no longer valid as the City was not required to have State Single Audit.

CITY OF AKUTAN, ALASKA

Corrective Action Plan

June 30, 2015

Financial Statement Findings

Finding 2015-001

Internal Control Over Payroll

Name of Contact:

Bobby Jo Kramer, Finance Director

Corrective Action Plan:

The City has been implementing standard office practices and procedures over payroll processing and maintaining personnel files. The City has been training two employees to processes payroll transactions to ensure payroll is completed if one is absent. The City will continue to review all personnel files to ensure that each personnel file has current W-4, I-9, PAR (Personnel Action Recommendation) forms, deductions forms for utilities, etc. for each employee. During the past fiscal year, timesheets were completed for employees. The City Administrator recently participated in human resource training and is working closely with the City Clerk to better maintain payroll record keeping. The office staff will be more diligent with ensuring all paychecks are supported with approved timesheets and payroll files are up to date.

Proposed Completion Date: September 30, 2016

Finding 2015-002

Internal Control Over Cash Receipts

Name of Contact:

Bobby Jo Kramer, Finance Director

Corrective Action Plan:

The City has been implementing standard office practices and procedures over cash receipts. Beginning December 16, 2015, the City began using a Point of Sale (POS) system in Akutan and Akun to account for cash receipts. The POS system automatically records the transactions into Quickbooks. The safe and cash drawer are counted each night and compared with the POS report. In addition, the safe and Keybank account are reconciled monthly by the contract accountant.

Proposed Completion Date: November 30, 2016

CITY OF AKUTAN, ALASKA

Corrective Action Plan, Continued

Finding 2015-003

Internal Control Over Fuel Inventory

Name of Contact: Bobby Jo Kramer, Finance Director

Corrective Action Plan: The City made an error in the value of the fuel on Akun at June 30, 2014. The fuel had been valued at the lower rate used in Akutan without realizing the fuel in Akun had been more expensive. The City corrected the valuation. The City will also ensure that fuel will be accurately measured at year-end in addition to the quarterly measurements that are currently conducted. The City will also work at developing a procedure for tracking fuel use and deliveries and comparing it to a fuel log.

Proposed Completion Date: June 30, 2017

Finding 2015-004

Internal Control Over Pension Liabilities

Name of Contact: Bobby Jo Kramer, Finance Director

Corrective Action Plan: The City has reviewed payroll records to ensure that eligible employees have been entered into PERS and benefits have been paid for those that were not entered by the previous finance director. The City has implemented procedures to ensure that PERS reports are reviewed and paid timely.

Proposed Completion Date: November 30, 2016